

## Does good governance reduce foodgrain diversion in PDS?

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*In 2011-12, various states undertook measures to curb leakages of foodgrains from the Public Distribution System. Some of the pioneer states also implemented the National Food Security Act - a rights-based approach to food security - in 2013. Against the backdrop of these reforms, this column analyses whether there is any marked difference in the leakage pattern of foodgrains across states.*

The Public Distribution System (PDS) in India, one of the largest food security programmes operating in South Asia, has been severely criticised for leakage of foodgrains, causing poor beneficiaries to be deprived of their due.<sup>1</sup> The key reasons for such leakage include lack of awareness among beneficiaries about their entitlement as well as the the price at which they should be given foodgrains under PDS, and prevalence of corruption at different levels of the supply chain.

It is, however, heartening to note that foodgrain leakage decreased from 54% in 2004-05 to 42% in 2011-12 at the national level (Drèze and Khera 2015) (National Sample Survey (NSS) - 61<sup>st</sup> and 68<sup>th</sup> round). Using data from the India Human Development Survey (IHDS), another nationally representative survey, [Desai 2015](#) arrives at similar

results: she finds a 10 percentage point decline in the leakage figure over the same time period.

Many states such as Tamil Nadu, Andhra Pradesh, Chhattisgarh, Orissa, Bihar etc., started reforms in the PDS from 2004-05 in order to reduce leakages and improve the performance of the programme. The National Food Security Act (NFSA) was passed in 2013, which is a transition from a welfare approach to a rights-based approach. The legislation confers a legal right on beneficiaries to obtain entitled quantities of foodgrains at highly subsidised prices. While 11 states or Union Territories have already adopted the NFSA or its variants by July 2014, the others are still following the Targeted Public Distribution System (TPDS).

What happened to foodgrain leakage across states in such a scenario? I attempt to answer this question by estimating the leakage of foodgrains from the PDS for the agricultural year 2014-15 (October–January) using primary survey data along with data collected from secondary sources in six major states - Assam, Bihar, Chhattisgarh, Karnataka, Uttar Pradesh and West Bengal (Paul 2015). Of these, Chhattisgarh, Karnataka and Bihar had already switched to the NFSA during the period of the survey, while Assam, Uttar Pradesh and West Bengal were operating under TPDS.

## Estimation of leakage

Broadly there were three ration card categories under TPDS (or, in the non-NFSA states): APL (Above Poverty Line), BPL (Below Poverty Line), and AAY (*Antyodaya Anna Yojana*) that is the poorest of the poor section of the society. The APL allocation was abolished under the NFSA. The two ration card categories under the new regime are PHH (Priority Households) and AAY.

I used the following algebraic formula to estimate leakage of foodgrains:

$$L_{ist} = \{(O_{ist} - P_{ist}) / O_{ist}\} * 100 \text{ ----- (1)}$$

where,

$L_{ist}$  = Leakage in state 's' for  $i^{th}$  category of ration card holders in year 't'

$O_{ist}$  = Offtake from centre's allocation for state 's' and offtake from state's own allocation of foodgrains (if applicable) for  $i^{th}$  category of ration card holders in year 't'

$P_{ist}$  = Total purchase of foodgrains from PDS by  $i^{th}$  category card holders in year 't'

Foodgrain leakages for the card categories of the PHH and AAY households have been calculated by clubbing them together in the NFSA states since foodgrains are allotted there on an aggregate for the two groups. On the other hand, for the states operating under TPDS, leakages have been estimated separately<sup>2</sup> for the APL, BPL and AAY ration card categories as foodgrains are allocated for these groups separately.

### **Variation in foodgrain leakage across states**

The average figures of leakage at the state level across the TPDS and NFSA states are presented in Tables 1a and 1b.

**Table 1a. Foodgrain leakage in TPDS states (%)**

State/ Ration card category	Average
Assam	
APL	70.68
BPL	36.76
AAY	12.13
Uttar Pradesh	
APL	35.29
BPL	32.87
AAY	5.13
West Bengal	
APL	38.75
BPL	28.19
AAY	10.59

Source: *Paul 2015*.

**Table 1b. Foodgrain leakage in NFSA states (%)**

State	Average
Chhattisgarh	6.95
Bihar	16.28
Karnataka	17.34

I find that in the states following TPDS, APL allocation is the major source of leakage (see Table 1a), as has been rightly pointed out in related PDS literature (Drèze and Khera 2015). Field visits revealed that many of the ration card holders in this category do not purchase foodgrains from the PDS because of their poor quality. The Fair Price Shop (FPS) dealers thereafter sell such unsold stock in the open market at much higher prices as compared to the PDS price. The diversion of foodgrain from the BPL quota ranges from 28% in West Bengal to 37% in Assam, though it is comparatively lower for the AAY category. In parts of Uttar Pradesh, the poor beneficiaries belonging to the BPL and AAY categories shared their various grievances, one among which was the complaint that, on an average, they receive only 33 kg of rice and wheat instead of the allotted quota of 35 kg.

The situation is somewhat better in states that have implemented the NFSA (see Table 1b). The magnitude of leakage is the least in Chhattisgarh among the six states covered under the study, and it remained the *best performing* state for PDS. The secret of its success is the creation of an efficient delivery mechanism along with the spread of high awareness among beneficiaries about their PDS entitlement.

Bihar has become a successful *revival state* with a moderate leakage figure. The state went through a major revamp in the functioning of the PDS after it introduced the coupon-based distribution method in 2007<sup>3</sup> to curb corruption. Drèze, Khera and Pudussery (2015) argue that the advent of the NFSA in 2013 may also have brought about a significant positive change. However, the state still has a long way to go to achieve total success in its food security programme. Our field teams received complaints of siphoning off of foodgrains, distribution of foodgrain at the less than full entitlement levels, and rude behaviour of FPS dealers.

Karnataka - one of the better performing states in the PDS has adopted several reforms, though the magnitude of leakage is higher as compared to the other two states that have implemented the NFSA. The installation of electronic weighing machines on a pilot basis and the linking of ration card records with biometric information of the members of beneficiary households are noteworthy. These machines were not fully functional till the end of 2014 as the state was struggling with major power supply disruptions, lack of an efficient power back-up system, as well as other technical glitches. Another key concern in Karnataka was the over reporting of the size of families so that they enjoy higher PDS allocation than their actual entitlement. (The state used to allocate foodgrains on the basis of the number of

family members in a household, instead of treating one household as a single unit). Karnataka had to eventually revise the allocation as per the NFSA norms.

## Improving PDS functioning

Improving the overall functioning of the PDS entails the introduction of several measures including strengthening the monitoring mechanism, revamping the existing grievance redressal system, and making the vigilance committees functional at the grassroots level. The replacement of conventional machines for weighing foodgrains with electronic ones would also ensure accurate distribution of foodgrains. Leakages can be reduced further at the state level by enhancing awareness among beneficiaries about their entitlement and the correct PDS prices of foodgrains. It may thus be concluded that despite the absence of a clear causal relationship between the implementation of the NFSA and reduced leakages of foodgrains due to data constraints, we could still argue that foodgrain leakages under the PDS could be significantly curtailed by combining the implementation of NFSA with good governance at the state level.

## Notes:

1. The leakage or diversion of foodgrains is defined as the proportion of foodgrains not reaching the beneficiary households under the programme.
2. The leakage figures may, however, only be indicative for some of the card categories because of the small sample size.
3. Every beneficiary household is given 12 coupons for wheat, rice and kerosene for a year. Every month they redeem one coupon against each of the specified PDS commodity at a local FSP. Coupons can be collected at village camps organised by local gram panchayats. However, coupons were not used for distribution under the PDS during our survey period because of administrative reasons.

## Further Reading

Desai, S (2015), '[Public Distribution System: More People Rely on the PDS Than Ever Before](#)', Research Brief No. 1, India Human Development Survey.

Drèze, Jean and Reetika Khera (2015), "Understanding Leakages in the Public Distribution System", *Economic and Political Weekly*, Vol. 50, 7, 39–42.

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Khera, Reetika (2011), "Trends in Diversion of Grain from the Public Distribution System", *Economic and Political Weekly*, Vol. 46, 21, 106–114.

Paul, S (2015), '[Evaluation Study of the Targeted Public Distribution System in Selected States](#)', National Council of Applied Economic Research, New Delhi.